

## Remarks

The August 5, 2008 Office Action for the above referenced application contains rejections of the pending claims on the basis of two references. The two references are:

1) U.S. Patent Application 2003/0208427 (hereinafter, Peters) which teaches a method for assisting financial advisors in delivering personalized investment advisory services to investors based on "mean variance optimization" taught by Markowitz and a user's subjectively determined risk preferences that have summarized into a risk profile. The "mean variance optimization" Peters teaches is the optimization technique embedded within the Capital Asset Pricing Model (CAPM) which is well known and has already been disclosed. Peters provides additional evidence of the novelty, non-obviousness and newness of the claimed invention in a number of ways including:

- 1) Teaching away from the methods of the instant application (and all Asset Trust applications) by teaching reliance on a subjectively determined risk profile as the basis for optimization. By way of contrast, the innovative system of the present invention teaches an objective optimization of organization return, risk and/or value, and
- 2) Teaching a reliance on the analysis and optimization methods of the Capital Asset Pricing Model which teach away from the analysis and optimization methods used in the claimed invention.

The Assignee notes that there are still other ways in which Peters teaches away from the claimed invention.

2) U.S. Patent Application 2001/0039525 which matured into patent 7,028,005 (hereinafter Messmer) which teaches a number of methods for valuing financial assets, a method for scoring assets and a method for selecting from among the groups. The Examiner has also disclosed U.S. Patent Application 2002/0116309 which matured into patent 7,003,484 (hereinafter Keyes). Messmer and Keyes provide additional evidence of the novelty, non-obviousness and newness of the claimed invention in a number of ways including:

- 1) Teaching methods for determining financial asset values that are dependent upon subjective evaluations. "Underwriting" as used herein means a process in which a person ("underwriter") reviews an asset in accordance with established principles and determines a current purchase price for buying the asset. During underwriting, the underwriter uses pre-existing or established criteria for the valuations. "Criteria" means rules relevant to

asset value and a rating based on such categories. For example, as a criteria, an underwriter might determine three years of cash flow history of the borrower to be a category of information relevant to asset valuation and might give a certain rating to various levels of cash flow (7,028,005, C4, L14 – 24). By way of contrast, the innovative system of the present invention (and all Asset Trust applications) relies on a systematic, objective analysis of the actual impact of an element of value for valuation.

2) Teaching a full underwriting method for determining financial asset values that depends on the reputation of the borrower, someone else marking the asset to market value and/or the assumed ability to convert the asset into cash. Full underwriting 14 is done in two ways, a full cash basis manner 86 and a partial cash basis manner 88. Both full cash basis manner 86 and partial cash basis manner 88 start with sets 90 and 92 of assets that are fully individually reviewed 14 (see FIG. 2). Such full review 14 is usually due to the large dollar, or other appropriate currency, amounts of the assets being reviewed relative to other assets in the portfolio or due to the borrower being so well known or so reliable that the assets can be quickly and reliably fully underwritten or the assets are marked to market ... each asset in set 90 receives a valuation with very little variation such as an asset backed with cash or a tradable commodity with full cash value and is placed in a full value table 96. Selected individual values for assets in table 96 are stored as a fully underwritten group value 98 (7,028,005, C4, L25 – 50). By way of contrast, the innovative system of the present invention (and all Asset Trust applications) relies on a systematic, objective analysis of the actual impact of an element of value for valuation.

3) Teaching a partial (or sampling) underwriting method for determining financial asset values that applies the full underwriting methods described in item 2) for a portion of the assets being valued. By way of contrast, the innovative system of the present invention (and all Asset Trust applications) relies on a systematic, objective analysis of the actual impact of an element of value for valuation.

4) Teaching that external factors impact the value of financial assets at the item level. By way of contrast the innovative system of the present invention (and all Asset Trust applications) teach that external factors impact the value of an organization at the segment of value level.

5) Teaching the subjective assessment of risk associated with a financial asset (C3, L46). By way of contrast, the innovative system of the present invention (and all Asset Trust applications) relies on a systematic, objective analysis of the expected impact of a variety of risks on an organizations financial performance.

6) Teaching the use of stochastic optimization for financial asset purchase optimization instead of the mixed integer non linear optimization used for risk, return and/or value optimization.

7) Teaching an “automatic” underwriting process for determining financial asset values that relies on the subjective judgment of “an experienced underwriter who knows what questions to ask to establish value, assists the computer in determining whether or not an asset is a good investment and how to value the asset (7,028,005, C5, L22 – 26). By way of contrast, the innovative system of the present invention (and all Asset Trust applications) relies on a systematic, objective analysis of the actual impact of an element of value for valuation.

8) Teaching an “automatic” underwriting process for determining financial asset values that relies on computerized asset classification and computer generated asset scores. The asset scores are based on a static assessment of the assets characteristics and/or a dynamic assessment of the probability of recovery. The computer generated scoring information is supplemented by the underwriter’s subjective assessment of the efficacy of the scores. In some cases the system will generate many combinations of descriptive attributes and as a result various levels of value for the same asset may occur (7,028,005, C5, L27 through C7, L30). By way of contrast, the innovative system of the present invention (and all Asset Trust applications) relies on a systematic, objective analysis of the actual impact of an element of value for valuation.

It would be hard to find two references that provide more evidence of the novelty and non-obviousness of the claimed invention. The Messmer and Keyes references can also be used to provide insight into the “bailout” the U.S. financial system.

Taken as a whole, the two references provide substantial additional evidence of the novelty, non-obviousness and newness of the claimed invention. The above discussion also provides substantial evidence that the references were selected because they contained a few words that were the same as those in the claims and not because the provided evidence of obviousness. The latter statement is made because:

- 1) the Examiner who chose the references was apparently unaware of the fact that the relevant portions of the references had previously been disclosed, and
- 2) the cited references provide substantial evidence of the novelty and non-obviousness of the claimed inventions by teaching away from all the claimed methods.

### **§103 rejections**

In the 5 August 2008 Office Action claims 1 – 19 and 23 - 28 are rejected under §103(a) as being obvious given Peters and Messmer. The Examiner has cited the Peters and Messmer documents as references. The Assignee respectfully traverses the rejections for obviousness in two ways. First, by noting that the rejections fail under both standards of the APA. Second, by noting that the 5 August 2008 Office Action has failed to establish a prima facie case of obviousness for the rejected claims. More specifically, the Office Action fails to establish a prima facie case of obviousness in a number of ways for every rejected claim. Four of the ways that the cited combination fails to establish a prima facie case of obviousness include:

1. teaching away from the claimed methods as detailed on pages 9, 10 and 11 of this paper,
2. failing to explain how the theoretical combination(s) would be completed,
3. requiring a change in the principle of operation of the cited methods in order to enable replication of claimed functions, and
4. failing to teach one or more limitation for every claim.

As noted previously, the second way the Assignee will respectfully traverse the §103(a) rejections of claims 1 – 19 and 23 - 28 is by noting that the assertions regarding the alleged obviousness of the claims are not in compliance with the requirements of the Administrative Procedures Act and are therefore moot. In *Dickinson v. Zurko*, 119 S. Ct. 1816, 50 USPQ2d 1930 (1999), the Supreme Court held that the appropriate standard of review of PTO findings are the standards set forth in the Administrative Procedure Act ("APA") at 5 U.S.C. 706 (1994). The APA provides two standards for review – an arbitrary and capricious standard and a substantial evidence standard. The Assignee respectfully submits that discussion in the preceding paragraph clearly shows that the instant Office Action fails to provide even a scintilla of evidence to support the allegation that the claims are obvious and that as a result it fails to meet the substantial evidence standard. The Assignee respectfully submits that the 5 August 2008 Office Action also fails to pass the arbitrary and capricious test because the evidence produced by the Examiner in that Office Action provides substantial of the novelty, non-obviousness and newness of the claimed invention as detailed on pages 9, 10 and 11 of this paper. The Assignee notes that there are still other ways in which these rejections can be shown to be arbitrary, capricious and discriminatory.

### §101 rejections

In the 5 August 2008 office action, claims 1 - 19 and 23 – 28 are rejected under 35 U.S.C. §101 as being unpatentable because the Examiner alleges that the disclosed invention represents non-statutory subject matter. The Assignee will respectfully traverse the rejection of claims 1 - 20 under §101 in three ways. First, by noting that the Examiner has failed to establish a prima facie case of non utility. Second, by noting that the assertions regarding the alleged lack of utility are not in compliance with the requirements of the Administrative Procedures Act and are therefore moot. Third by noting that the claimed inventions each transform data representative of a physical object (a business organization) into a different state or thing and therefore represent statutory subject matter in accordance with the recent *in re Bilski* decision.

As mentioned previously, the Examiner has failed to establish a prima facie case of non statutory subject matter for rejected claims 1 – 19 and 23 - 28. *MPEP 2164.07 states “the examiner has the initial burden of challenging an asserted utility. Only after the examiner has provided evidence showing that one of ordinary skill in the art would reasonably doubt the asserted utility does the burden shift to the applicant to provide rebuttal evidence sufficient to convince one of ordinary skill in the art of the invention's asserted utility. In re Brana, 51 F.3d 1560, 1566, 34 USPQ2d 1436, 1441 (Fed. Cir. 1995) (citing In re Bundy, 642 F.2d 430, 433, 209 USPQ 48, 51 (CCPA 1981)).* The Assignee respectfully submits that the Examiner has not provided any evidence to support his assertions. Instead, he has simply made a series of arbitrary and capricious statements.

As noted previously, the second way the Assignee will traverse the § 101 rejections of claims 1 – 19 and 23 - 28 is by noting that the assertions regarding non statutory subject matter are not in compliance with the requirements of the Administrative Procedures Act and are therefore moot. In *Dickinson v. Zurko*, 119 S. Ct. 1816, 50 USPQ2d 1930 (1999), the Supreme Court held that the appropriate standard of review of USPTO findings of fact are the standards set forth in the Administrative Procedure Act ("APA") at 5 U.S.C. 706 (1994). The APA provides two standards for review – an arbitrary and capricious standard and a substantial evidence standard. The Assignee respectfully submits that the 35 U.S.C. § 101 rejection of claims 1 – 19 and 23 - 28 in the instant Office Action fails under both

standards. These rejections fail under the substantial evidence standard because as detailed above no evidence was presented. These rejections also fail under the arbitrary and capricious standard because the U.S.P.T.O. has found similar claims to be patentable when presented by large companies as shown in patents 7,337,137 and 7,409,357.

### **Statement under 37 CFR 1.111**

37 CFR 1.111 requires that the basis for amendments to the claims be pointed out after consideration of the references cited or the objections made. 37 CFR 1.111 states in part that:

In amending in response to a rejection of claims in an application or patent undergoing reexamination, the applicant or patent owner must clearly point out the patentable novelty which he or she thinks the claims present in view of the state of the art disclosed by the references cited or the objections made. He or she must also show how the amendments avoid such references or objections.

The Assignee notes that this requirement is not relevant to the instant application because, as detailed above, there are no references or objections to avoid. Having said that, the Assignee notes that the primary reasons a few claims were amended was to correct clerical errors and to put the claims into final form for allowance and issue.

### **Reservation of rights**

The Assignee hereby explicitly reserves the right to present the modified and/or canceled claims for re-examination in their original format. The cancellation or modification of pending claims to put the instant application in a final form for allowance and issue is not to be construed as a surrender of subject matters covered by the original claims before their cancellation or modification.

### **Conclusion**

The pending claims as amended herein are of a form and scope for allowance. Prompt notification thereof is respectfully requested.

Respectfully submitted,

/B.J. Bennett/

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